

## Legislative Bulletin.....November 7, 2005

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H.R. \_\_ – Deficit Reduction Act – Title VIII

### Title VIII – Committee on Ways and Means

**Background:** Under the budget resolution (H. Con. Res. 95), the House authorizing committees were instructed to find savings to reduce the growth in mandatory spending. The House Ways and Means Committee was originally tasked with finding \$1 billion in savings as part of a \$35 billion package of savings over five years. Once the Republican Conference adopted the more ambitious goal of \$50 billion in savings over five years, the Committee was expected to find additional savings.

**Savings to Taxpayers:** According to CBO, Title VIII would reduce federal spending by \$8.048 billion over five years (see Table 1). Such savings amount to 14.9% of the \$53.9 billion deficit reduction package.

**Table 1. Savings/Spending By Subtitle, Outlays In Millions**

<b>Committee on Ways and Means</b>	<b>2006</b>	<b>2006-10</b>
TANF Reauthorization	237	926
Child Care	0	434
Child Support Reforms	4	-4,899
Child Welfare	-80	-577
Supplemental Security Income	-261	-732
Repeal of Continued Dumping and Subsidy Offset	0	-3,200
<b>Total Savings</b>	<b>-100</b>	<b>-8,048</b>

**Committee Action:** On October 26, 2005, the House Ways and Means Committee reported its submissions to the House Budget Committee to be compiled into one reconciliation package along with the submissions of the other authorizing committees. On November 3<sup>rd</sup>, the Budget Committee reported the package, the Deficit Reduction Act, for consideration by the full House of Representatives.

## **Summary by Subtitle:**

### **Subtitle A: Temporary Aid to Needy Families Reauthorization**

**Table 2. New TANF Spending/Savings, Outlays In Millions**

	<b>2006</b>	<b>2006-10</b>
Eliminate Grants for Reducing Out-of-Wedlock Births	0	-377
Establish Healthy Marriage Promotion Grant	1	349
Continue Supplemental Grants through 2009	182	1,165
Eliminate High-Performance Bonus	0	-755
Modify Contingency Fund	0	83
Increase Transfer Authority to SSBG	44	0
Establish Secretary's Fund for Research & National Studies	10	409
Extend Funding of Studies and Demonstrations	*	52
<b>Subtitle A, TANF</b>	<b>237</b>	<b>926</b>

\* = Costs of less than \$500,000

**Note:** This TANF subtitle is the similar to H.R. 4, which passed the House in the 108<sup>th</sup> Congress by a 230-192 vote, and would have reauthorized welfare programs for five years (<http://clerk.house.gov/evs/2003/roll030.xml>). The Senate has yet to consider a welfare reauthorization. Without Senate reauthorization, Congress has voted quarterly to temporarily extend the welfare programs:

- **Family Assistance Grants:** Extends family assistance grants (the basic TANF block grants) from 2006-2010 at the current funding level (does not constitute new spending and CBO assumes it in the baseline). Some conservatives may be concerned that funding is not reduced to account for the 60% reduction in welfare caseloads as 3 million families and 9 million recipients have left the rolls since 1994.
- **Supplemental Grants:** Extends supplemental grants (for states with high population growth and a higher degree of poverty) through 2009. Current law required that an extension of this spending should be considered new spending and therefore does not include it in the baseline.
- **Work Requirements:** Requires that states have 50% of their caseload participating in work (see below for explanation of definition of work) in 2006 and increases the percent by 5% each year to 70% for 2010 and each year thereafter (currently the work requirement is 50%, but once credits are figured in, the actual requirement is, according to some estimates, as low as 5%). In meeting its work requirements, states are mandated to establish Family Self-Sufficiency Plans for each family receiving assistance. In addition, the legislation repeals the existing (higher) worker participation requirement for 2-parent families that receive assistance.
- **Definition of Work Participation:** Defines work participation as 40 hours a week (160 hours a month – which means that over the course of a year, a family does not have to work a total of 4 weeks) engaged in at least 24 hours of direct work (public or private employment, on-the-job training, supervised work experience, or supervised community service) and not more than 16 hours of “other activities” as specified by the state, including substance abuse counseling, rehabilitation treatment, work-related education, job search, or other limited activities

- **Direct Work Exceptions.** Provides for certain exceptions from the direct work requirement. A family may, for up to 3 months every 24 months, substitute substance-abuse counseling, rehabilitation treatment, work-related education, job search, or other limited activities for direct work. In order to complete a certificate program or other work-related education or training the family may substitute such activities for direct work for up to 3 months every 24 months
- **Other Exceptions:** Permits states, on a case-by-case basis, to exclude families with children under 12 months from the direct work requirement. In addition, the legislation counts as direct-work, families where the head of the household is under 20 years old, but attends school.
- **Parental Visits:** Requires recipients who have school-age children to visit their children's school at least twice a year.
- **Caseload Reduction Credit:** Maintains the caseload reduction credit (applied towards the work participation requirement) but now the credit would be determined based on a state's reduction in welfare cases over a new set of years. In FY06 the credit would be based on FY96 case levels, in FY07 on FY98 case levels, in FY08 on FY01 case levels, and in FY09 and forward the fourth preceding fiscal year. This effectively requires states to continue reducing their caseload to receive the credit.
- **Superachiever Credit:** Establishes a superachiever credit for states to apply towards their work requirement that have reduced their caseload by 60% between 1995 and 2001.
- **Contingency Fund:** Extends and increases funding for the Contingency Fund which provides additional federal matching funding for states with increasing and high unemployment or heavy growth in the food stamp program. To qualify for these funds, states must maintain their 1994 level of welfare spending.
- **SSBG Transfer Authority:** Increases the amount of TANF funding that can be transferred to Social Security Block Grants from 4.25% to 10%. This authority does not result in new spending but allows states to spend the TANF funding more quickly.
- **New Research Program:** Establishes new \$510 million (\$102 million per year) funding for research, demonstration and technical assistance for states and Indian tribes receiving welfare funding.
- **Termination of Benefits:** Directs states to reduce or terminate the amount of assistance provided to a family if the family fails to work or to otherwise engage in activities required by the bill or the state (if the failure is total and persists for at least 2 consecutive months all cash payments must be terminated). There is a one-year exemption to the requirement that all assistance be terminated for states where the state constitution or a state statute enacted before 1966, obligates local governments to provide assistance to needy parents and children. This exemption applies to New York and to California and would therefore exempt those states from the full check sanction requirement for one-year.

**Note:** California and New York would not be exempt from the requirement that they partially reduce benefits for those who refuse to work, only the provisions requiring total termination of benefits.

- **Drug Testing:** Adds a provision that an individual receiving TANF assistance must undergo drug testing if the state has reason to believe he or she has unlawfully used drugs recently. A positive test would result in a suspension of cash benefits and additional testing, with three year termination for continued test failures.
- **Marriage Promotion:** Repeals the current bonus for the reduction of illegitimate births and uses the funds (\$100 million annually in federal funds for fiscal years 2006 through 2010) to fund healthy marriage promotion grants for healthy, married, 2-parent families. The federal funding portion may not be more than 50 percent of the cost. The legislation authorizes the following activities under the new marriage program:
  - public advertising campaigns
  - education in high schools
  - marriage education and relationship skills programs
  - pre-marital education
  - marriage enhancement programs for married couples
  - divorce reduction programs
  - marriage mentoring
  - programs to reduce the disincentives to marriage in means-tested aid programs
- **Employment Achievement Bonus:** Repeals the \$200 million a year for bonuses to states for high employment achievement.
- **Fatherhood Program:** Establishes a new program authorized at \$20 million a year through 2010 (\$100 million total) to provide grants to public and nonprofit entities (including religious organizations and Indian tribes) to fund up to 80% (and in some limited cases 100%) of the costs of demonstration service projects and activities to:
  - promote responsible, caring, and effective parenting
  - enhance the ability and commitment of unemployed or low-income fathers to provide material support for their families
  - improve fathers' ability to effectively manage family business affairs
  - encourage and supporting healthy marriages such as through premarital counseling

The program would include multi-city, multi-state demonstration projects, as well as economic incentive demonstration projects (to address employment barriers to encourage non-custodial parents to enter the workforce). In addition, within these funds the Secretary is also authorized to undertake projects of national significance such as information collection and dissemination, a media campaign, and technical assistance

- **Child Care Development Block Grants:** Authorizes \$2.3 billion in discretionary appropriations for child care development grants (CCBG) in FY06, increasing by \$200 million a year to \$3.1 billion in FY2010. CCBG funding was authorized for \$1 billion annually from 1996 to 2002, but the program has not been reauthorized since, despite \$2.1 billion being appropriated each year. Under this legislation, over five years, \$3 billion or 28.6% more will be authorized than is currently being appropriated (\$2.1 billion per year) and \$8.5 billion more than old authorization level (\$1 billion per year).

**Note:** This sizable increase in CCBG funding is in addition to the \$200 million increase in child care entitlement spending under subtitle B (see below).

In addition, the legislation:

- Increases from 30% to 50% the amount of TANF funds states may transfer to child care.
- Requires coordination with other early child care services and childhood education programs such as Head Start, Early Start, Even Start, and Ready-to-Learn Television programs.
- Adds to current state reporting requirements the “ethnicity” and “primary language” of the child.
- Redefines an eligible child, from one “whose family income does not exceed 85 percent of the State median income for a family of the same size” to one “whose family income does not exceed income levels as established by the State, prioritized by need.”
- Authorizes the Secretary as part of the Hurricane Katrina and Rita relief effort to waive (through June 30, 2006) or modify CCDBG provisions (including income, work and limitation provisions) for a state affected or serving significant numbers of people affected by Hurricanes Katrina or Rita.
- Authorizes the establishment of state and local demonstration projects to coordinate multiple public assistance and welfare programs using innovative approaches to coordinate delivery systems and effective services. The demonstration projects must be cost neutral according to OMB calculations.
- Requires states to use at least six percent of funds from CCDBG to improve child care quality, including with professional development programs for child care workers, early literacy programs, and tiered reimbursement systems for works.
- Mandates numerous federal and state studies and reports

#### **Subtitle B: Child Care**

**Table 3. Child Care Spending, Outlays In Millions**

	<b>2006</b>	<b>2006-10</b>
Increase Child Care Entitlement Spending	0	434
<b>Subtitle B, Child Care</b>	<b>0</b>	<b>434</b>

- **Increase Child Care Entitlement:** Increases mandatory child care funding by \$50 million each year through 2010, from \$2.72 billion in FY06 to \$2.92 billion in FY10, for a \$500 million total increase in budget authority (\$434 million in total outlays over five years). The program was authorized at \$1.97 billion in FY97 increasing through FY02 to \$2.72.

#### **Subtitles C: Child Support**

**Table 4: Child Support Savings/Spending, Outlays In Millions**

	2006	2006-10
Distribute More Collections to Current TANF Families	0	23
Distribute More Collections to Former TANF Families	0	229
Require Triennial Update of Child Support Orders	0	-20
Assess \$25 Annual Fee for Administrative Costs	0	-172
Reduce Threshold for Passport Denial to \$2,500	0	-4
Funding for Technical Assistance	2	4
Match Databases of Insurance Claims	2	-6
Limit Assignment to On-Assistance Period	0	9
Reduce Match Rate and Eliminate Incentive Match	0	-4,854
Interaction Effect	0	-108
<b>Subtotal C, Child Support</b>	<b>4</b>	<b>-4,899</b>

- **Child Support Collections:** Allows states to pay more of the federal share of child support collections if they distribute that amount to a family currently receiving TANF benefits. States could dispense the greater of \$100 per month or \$50 more than the amount that would have been paid under state law in 2001. Under current law, a family receiving TANF benefits assigns its rights to child support collections over to the state (who must then share a percentage with the federal government). In addition, states would be allowed to pass on past-due child support (from when the family was receiving TANF benefits) to a family who is no longer on TANF. Currently, the state must first withhold an amount equal to the TANF benefits received before providing the family with the child support that has been collected.
- **Triennial Updates of Child Support Orders:** Requires states to adjust child support orders every three years whereby current financial information is obtained from the custodial and noncustodial parent that may indicate more support should be paid (for example, to adjust for cost-of-living). According to CBO, there are roughly 700,000 TANF recipients with child support orders in states that do not routinely update orders.
- **Annual Fee for Administrative Costs:** Requires states to collect a \$25 annual fee for collecting more than \$500 per year in child support from families who have never received TANF benefits.
- **Report on Undistributed Child Support:** Requires the Department of HHS to report within six months on the procedures states use to locate custodial parents for whom child support has been collected but not yet distributed and whether additional procedures need to be established at the state or federal level.
- **Denial of Passports:** Reduces the threshold of unpaid child support from, \$5,000 to \$2,500, that will cause the State Department to deny a passport request from a noncustodial parent.
- **Tax Refund Intercept Program:** Clarifies that the Secretary of Treasury may collect past-due child support from a noncustodial parent's tax refunds on behalf of a child who is not minor.
- **Enforcing Child Support Orders with Veterans:** Maintains current law with respect to withholding compensation for past-due child support from veterans with service-connected disabilities but ensures that withholding cannot occur if the individual is fewer than 60 days late in paying and that any withholding cannot take more than 50% of the individual's

compensation. In addition, the provision states that the withholding of a veteran's compensation may not be used for the payment of alimony.

- **Technical Assistance Funding:** Sets a minimum funding level of \$37 million (the 2002 level) for technical assistance to the states and the maintenance of the federal parent locator service (a computerized network to provide address, employment, asset, and SSN information on persons to assist states in locating non-custodial parents). In addition, Indian tribes would have the same access to the locator service as the states.
- **Insurance Data:** Allows the Secretary through the federal parent locator service to access information from insurers on individuals with past-due child support (insurance claims, settlements, awards, and payments) and to furnish such information to state agencies.
- **Limit Assignment to On-Assistance Period:** Allows states to eliminate the requirement that families assign their child support due over to the state in the period before they start collecting benefits. Under current law, as a precondition for receiving welfare benefits, families must assign their right to child support due for both the period before and during which they collect benefits.
- **State Option to Discontinue Certain Assignments:** Allows states to discontinue certain child support assignments in effect on September 30, 1997. This provision is not included in the CBO estimate as costing anything.
- **Reduce Reimbursement for Administrative Costs:** Reduces the federal match on child support spending from 66% (currently) to 50% in 2010 and thereafter. According to the Ways and Means Committee, this provision will make the federal share of child support administrative costs comparable with other federal programs such as Medicaid and food stamps. In addition, the federal match would be discontinued in 2008 for state child support spending financed by federal incentive fund grants (bonus money for high-performing states in the area of child support collections). Under current law, these states use these federal funds to pay their state share of child support spending and to leverage additional federal matching funds.
- **Interaction Effect:** According to CBO, reducing the federal match for child support spending will increase the net savings of other provisions included in the subtitle. This is called the "interaction effect" between the policies.

**Subtitles D-H: Child Welfare, SSI, and the Continued Dumping and Subsidy Offset**

**Table 5. Child Welfare Savings, Outlays In Millions**

	<b>2006</b>	<b>2006-10</b>
Clarify Eligibility for Foster Care and Adoption Assistance	-54	-397
Limit Federal Matching Funds for Administrative Costs	-26	-180
Require SSI Pre-Effectuation Reviews	-6	-307
Pay More Retroactive SSI Benefits in Installments	-255	-425
Repeal the Continued Dumping and Subsidy Offset	0	-3,200
<b>Subtitles D-H, Child Welfare, SSI, and CDSO</b>	<b>-341</b>	<b>-4,509</b>

- **Demonstration Projects:** Extends the authority through 2010 for states to undertake demonstration projects with regard to child welfare. In addition, certain limitations on the Secretary's authority to approve such demonstration projects are repealed, including the overall limit of ten, the limit on the number of projects within a state, and the limit on the number of states that can be granted waivers on a similar topic. This extension does not add cost to the legislation because these projects must be cost-neutral to the federal government.
- **Foster Care and Adoption Assistance Eligibility:** Clarifies that a child is eligible for federal foster care and adoption assistance if the original home the child is removed from would have met the eligibility requirements for welfare benefits. According to CBO, this clarification would overturn a 9<sup>th</sup> Circuit Court of Appeals case (*Rosales v. Thompson*) that gave nine states broader ability to determine eligibility standards.
- **Administrative Costs:** Limits the amount of federal matching funds for administrative costs when a state puts a child in an ineligible foster home (often with a relative who is not a licensed foster care provider) to no more than a year – the average time it takes to license a home or a “candidate” as a foster care provider.
- **SSI Pre-Effectuation Reviews:** Requires the Social Security Administration to review at least 20% of the initial determinations for Supplemental Security Income (SSI) eligibility made by state agencies. This level of review would increase to 50% of all determinations in 2008 and thereafter. According to CBO, this reform would lead to over 20,000 such SSI eligibility determinations being re-evaluated and deemed ineligible by 2015, leading to savings in SSI (benefits for blindness and disability) and Medicaid (because SSI eligibility normally confers Medicaid eligibility).
- **Retroactive Benefits:** Increases the number of retroactive SSI benefits that are paid in installments by lowering the trigger threshold from 12 times the maximum monthly SSI benefit to three (from \$7,206 to \$1,809). Retroactive benefits normally accrue because of the time to consider SSI applications.
- **New Coordination Program:** Establishes a new program of state demonstration projects to coordinate multiple public assistance, workforce development, and other programs in order to improve services and results. Any demonstration projects undertaken under this program would need to be cost neutral to the federal government.
- **Continued Dumping and Subsidy Offset:** Repeals the Continued Dumping and Subsidy Offset Act, commonly referred to as the Byrd Amendment. Current trade law allows for the imposition of duties when it is determined that imports are being subsidized by the producer's government (a practice known as dumping). The Continued Dumping and Subsidy Offset Act passes on the revenues received from the collection of such duties to the domestic producers who petitioned for them. However, this is a duplicative remedy since the duties themselves are meant to address the dumping, and it gives domestic producers an incentive to submit more and more dumping petitions to the Commerce Department. In addition, the WTO has ruled that the Byrd Amendment constitutes an unfair trade subsidy and authorized 11 countries to retaliate against U.S. industries.

**Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?:**

The legislation contains no private-sector mandates, but it does increase the requirements that states must meet to receive federal welfare funding. In addition, the child support reforms require



states to increase their own spending to continue operate the program, classifying as a federal mandate according to CBO.

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